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LOK SABHA

The following Bills were introduced in Lok Sabha on the 20th May, 1957:—

BILL No. 12 OF 1957

A Bill to amend the Life Insurance Corporation Act, 1956.

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. This Act may be called the Life Insurance Corporation Short title.
(Amendment) Act, 1957.

31 of 1956. 5 2. In section 11 of the Life Insurance Corporation Act, 1956 Amendment
(hereinafter referred to as the principal Act), for sub-section (2), of section 17,
the following sub-section shall be substituted, namely:—

10 “(2) Where the Central Government is satisfied that for
the purpose of securing uniformity in the scales of remunera-
tion and the other terms and conditions of service applicable
to employees of insurers whose controlled business has been
transferred to, and vested in, the Corporation, it is necessary
so to do, or that, in the interests of the Corporation and
its policy-holders, a reduction in the remuneration payable, or a
15 revision of the other terms and conditions of service applicable,
to employees or any class of them is called for, the Central
Government may, from time to time, notwithstanding anything
contained in sub-section (1), or in the Industrial Disputes Act,
14 of 1947. 1947, or in any other law for the time being in force, or in any
20 award, settlement or agreement for the time being in force,

alter (whether by way of reduction or otherwise) the remuneration and the other terms and conditions of service to such extent and in such manner as it thinks fit; and if the alteration is not acceptable to any employee, the Corporation may terminate his employment by giving him compensation equivalent to three months' remuneration unless the contract of service with such employee provides for a shorter notice of termination. 5

Explanation.—The compensation payable to an employee under this sub-section shall be in addition to, and shall not affect, any pension, gratuity, provident fund money or any other benefit to which the employee may be entitled under his contract of service." 10

Amendment of section 43. 3. In section 43 of the principal Act, after sub-section (2), the following sub-section shall be inserted, namely:—

"(2A) Section 42 of the Insurance Act shall have effect in relation to the issue to any individual of a licence to act as an agent for the purpose of soliciting or procuring life insurance business for the Corporation as if the reference to an officer authorised by the Controller in this behalf in sub-section (1) thereof included a reference to an officer of the Corporation authorised by the Controller in this behalf." 15 20

Substitution of new section for section 45. 4. For section 45 of the principal Act, the following section shall be substituted, namely:—

Special provisions regarding transfer of controlled business of certain composite insurers.

"45. Notwithstanding anything contained in clause (c) of section 44, the Central Government may, by notification in the Official Gazette, direct that on and with effect from such date as may be specified in the notification the assets and liabilities appertaining to the controlled business of a composite insurer in respect of the management of whose affairs an Administrator has been appointed under section 52A of the Insurance Act shall be transferred to and vested in the Corporation, and on the issue of such a notification the provisions of this Act shall, so far as may be, apply in relation to such insurer and to the transfer and vesting of the assets and liabilities of his controlled business in the Corporation as they apply in relation to all other insurers and to the transfer and vesting of the assets and liabilities of their controlled business in the Corporation, subject to the modification that references in this Act to the appointed day shall be construed as references to the day specified in the notification." 25 30 35 40

5. In section 49 of the principal Act, after clause (b) of sub-section (2), the following clause shall be, and shall be deemed always to have been, inserted, namely:—

Amendment
of section
49.

“(bb) the terms and conditions of service of persons who
5 have become employees of the Corporation under sub-section
(1) of section 11;”.

6. Any order altering the remuneration and the other terms and conditions of service of the employees referred to in sub-section (2) of section 11 of the principal Act made or purporting to have been
10 made under that sub-section before the commencement of this Act
by the Central Government for any of the purposes specified in
that sub-section as amended by this Act, shall, notwithstanding any-
thing contained in any judgment, decree or order of any court, be
deemed to have been made under that sub-section as amended by
15 this Act as if this Act were in force on the date on and from which
the order was intended to take effect, and the order shall continue
in force and have effect accordingly, unless and until superseded by
anything done or action taken under the principal Act.

Validation of
orders passed
before com-
mencement
of Act alter-
ing remun-
eration, etc.

7. The Life Insurance Corporation (Amendment) Ordinance, 1957
20 is hereby repealed.

Repeal of
Ordinance 3
of 1957.

STATEMENT OF OBJECTS AND REASONS

After the passing of the Life Insurance Corporation Act, 1956, it became necessary for the Corporation to examine the widely varying terms and conditions of service of employees whose services had been statutorily transferred to it with a view to ensuring uniformity in the pay scales and other terms and conditions of service applicable to them. An order altering the terms and conditions of service in this behalf was passed by the Corporation under section 11(1) which was later approved by the Central Government and issued in the form of an order under section 11(2). In a recent decision, the Bombay High Court held that the power given to the Central Government under section 11(2) was confined to altering the remuneration only and the order which dealt not only with the remuneration but also with other terms and conditions of service was, therefore, bad in law. To prevent confusion in the working of the Corporation an Ordinance had to be promulgated immediately amending section 11(2) and validating the order made by Government. The present Bill seeks to replace the Ordinance.

2. Advantage has been taken of this opportunity to make the following further amendments:—

(i) Section 42 of the Insurance Act, 1938, empowers the Controller or any officer authorised by him in this behalf to issue licences to insurance agents. It is felt that officers of the Corporation should also be enabled to issue licences on behalf of the Controller.

(ii) A doubt has arisen whether in respect of a transfer under section 45 of the controlled business of a composite insurer now vested in an Administrator the provisions of this Act apply. A redraft of section 45 seeks to make the position clear.

(iii) Section 49(2) is sought to be amended to make it clear that the power conferred by section 49(2) (b) is available with respect to all employees whether recruited by the Corporation or taken over on its incorporation.

T. T. KRISHNAMACHARI.

NEW DELHI;

The 14th May, 1957.

BILL *No. 21 OF 1957

A Bill further to amend the Reserve Bank of India Act, 1934.

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. This Act may be called the Reserve Bank of India (Amend- Short title
ment) Act, 1957.

5 2 of 1934. 2. In section 17 of the Reserve Bank of India Act, 1934 (herein- Amendment
after referred to as the principal Act),— of section 17

63 of 1951. (i) in clause (4), for the words and figures “State Financial
10 63 of 1951. Corporations established under the State Financial Corporations
Act, 1951, and the principal currency authority of Ceylon”, the
words and figures “and State Financial Corporations established
under the State Financial Corporations Act, 1951,” shall be sub-
stituted;

(ii) after clause (4B), the following clause shall be inserted,
namely:—

15 “(4BB) the making to any financial institution notified
by the Central Government in this behalf of loans and
advances repayable on demand or on the expiry of fixed
periods not exceeding ninety days from the date of such
loan or advance, against securities of the Central Govern-
20 ment or of any State Government;” and

(iii) in clause (8A), after the words “any other bank”,
the words “or financial institution” shall be inserted.

*The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha the introduction and consideration of the Bill.

Amendment of section 34. 3. For sub-section (2) of section 34 of the principal Act, the following sub-section shall be substituted, namely:—

“(2) For the purposes of this section,—

(a) any currency note of the Government of India or bank note which has not been presented for payment within 5 forty years from the 1st day of April following the date of its issue, and

(b) any bank note referred to in section 26A,

shall be deemed not to be in circulation, and the value thereof shall, notwithstanding anything contained in sub-section (2) of 10 section 23, be paid by the Issue Department to the Central Government or the Banking Department, as the case may be:

Provided that any note referred to in clause (a), if subsequently presented for payment, and any note referred to in clause (b), if directed to be paid by the Central Government, shall 15 be paid by the Banking Department and any such payment in the case of currency note of the Government of India shall be debited to the Central Government.”.

Amendment of section 42. 4. In sub-clause (iii) of clause (a) of sub-section (6) of section 42 of the principal Act, for the words, figures and brackets “clause 20 (2) of section 2 of the Indian Companies Act, 1913 (VII of 1913)”, the words and figures “section 3 of the Companies Act, 1956, or an institution notified by the Central Government in this behalf” shall be substituted. 1 of 1956.

Amendment of section 57. 5. In sub-section (1) of section 57 of the principal Act, for the 25 words, figures and brackets “Indian Companies Act, 1913 (VII of 1913)”, the words and figures “Companies Act, 1956” shall be substituted. 1 of 1956.

STATEMENT OF OBJECTS AND REASONS

In spite of the existence of bodies like the Industrial Finance Corporation, the State Financial Corporations and the Industrial Credit and Investment Corporation, medium-term finance facilities in the private sector of industry are still found to be inadequate for the purposes of the overall objectives of the Second Five Year Plan. It may, therefore, be necessary to establish financial institutions to provide medium-term loan assistance to industries. The Reserve Bank of India Act is being amended to enable the Reserve Bank of India to contribute to the capital of such institutions as it cannot do so under the existing provisions of the Act.

2. Opportunity has been taken to carry out certain further amendments in the Act—one of them being intended to extinguish the liability of the Issue Department of the Reserve Bank of India in respect of the unencashed High Denomination Notes demonetized in terms of the High Denomination Bank Notes (Demonetization) Ordinance, 1946. Some of the other amendments are merely formal in character.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 14th May, 1957.

BILL No. 22 OF 1957

A Bill further to amend the State Bank of India Act, 1955.

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

Short title. 1. This Act may be called the State Bank of India (Amendment) Act, 1957.

Amendment of section 21. 2. In section 21 of the State Bank of India Act, 1955 (hereinafter referred to as the principal Act), after sub-section (2), the following sub-section shall be inserted, namely:— 5^{23 of 1955.}

“(2A) The chairman *ex officio* shall be a member of every Local Board and Local Committee constituted under this section.”.

10

Amendment of section 23. 3. To section 23 of the principal Act, the following proviso shall be added, namely:—

“Provided that nothing in clause (c) shall apply to the chairman in relation to his membership of a Local Board or of a Local Committee.”.

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Amendment of section 33. 4. In section 33 of the principal Act,—
(1) in clause (i),—

(a) after sub-clause (f), the following sub-clause shall be inserted, namely:—

“(ff) subject to such directions as may be issued by 20 the Central Board, book-debts or other assets of any undertaking engaged in the financing of hire-purchase transactions which are hypothecated to the State Bank as security for such advances, loans or credits;”;

(b) in sub-clause (h), for the words, brackets and letters "sub-clauses (f) and (g)", the words, brackets and letters "sub-clauses (f), (ff) and (g)" shall be substituted;

5 (2) after clause (x), the following clause shall be inserted, namely:—

“(xa) the acting as agent for the Central Government or any State Government or any corporation in implementing any scheme for financing the construction of dwelling houses, and in advancing or lending of money from out of
10 the funds placed at its disposal as such agent by the Government or corporation to any person upon such security (including the security of any immovable property) and on such terms and conditions and for such periods as may, notwithstanding anything contained in this Act, be approved
15 by the Government or corporation by which such funds have been placed;”;

(3) after clause (xix), the following clauses shall be inserted, namely:—

“(xixa) in consultation with the Reserve Bank and on
20 the recommendation of the Central Board, the subscribing to, buying, acquiring, holding or selling of any shares or debentures of any such financial institution as may be notified by the Central Government in this behalf;

“(xixb) the advancing or lending of money to persons
25 engaged in such industries or classes of industries as may be specified by the Central Board by directions issued in this behalf for any period in excess of six months but not exceeding seven years, and subject thereto and to such directions as may be issued by the Central Board, such advance or
30 loan may be made on such terms and conditions and upon such security (including the security of any immovable property) as the State Bank may deem fit;

“(xixc) the advancing or lending of money to any co-operative housing society, all the members of which are
35 officers or employees of the State Bank, and subject to such directions as may be issued by the Central Board, such advance or loan may be made for such periods in excess of six months, on such terms and conditions and upon such security (including the security of any immovable property)
40 as the State Bank may deem fit;”.

5. In sub-section (1) of section 42 of the principal Act, for the word “February”, the word “March” shall be substituted.

Amendment
of section
42.

STATEMENT OF OBJECTS AND REASONS

Some of the restrictions in the State Bank of India Act relating to the grant of loans and advances for periods in excess of six months and against the primary security of immovable property are sought to be removed in the Bill in order to enable the Bank to assist in providing adequate medium-term finance to industries in the context of the industrial development contemplated under the Second Five Year Plan.

Opportunity has been taken to include a few other amendments relating to the internal procedure of the Bank to facilitate performance of its activities.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 16th May, 1957.

M. N. KAUL,
Secretary.